

IRS News Release

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New EITC Tool Helps Taxpayers Determine Eligibility

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WASHINGTON — The Internal Revenue Service today announced a new Web-based tool to help working families determine if they are eligible for the Earned Income Tax Credit. The EITC Assistant will help take the guess work out of the EITC eligibility rules.

The EITC Assistant is one in a series of steps taken by the IRS to encourage all eligible taxpayers, but only those who are eligible, to claim the valuable EITC refund. For the 2004 tax year, the maximum credit is \$4,300, which helps lift millions of families out of poverty.

The new EITC Assistant also reflects all the tax law changes, including new income limits for eligibility as well as the optional use of nontaxable combat pay for use in refund calculations. EITC Assistant is available in English and Spanish on IRS.gov.

“The EITC Assistant is a convenient way to help you find out if you qualify for this important benefit,” said IRS Commissioner Mark W. Everson. “This tool will help take the guess work out of EITC.”

The EITC Assistant also can be used by individuals, tax practitioners, employers, community and public service organizations and IRS partners.

By answering a few simple questions and providing some basic income information, the program will assist taxpayers in determining their correct filing status, determining whether their children met the tests for a qualifying child and estimate the amount of credit that taxpayers may receive.

The IRS also is expanding a pilot project to reach out to taxpayers with limited English proficiency. Grassroots outreach efforts in Miami and Los Angeles last year will be expanded to include Chicago and Houston this year. The IRS will host a series of events in those four cities to help families file their federal tax returns.

The Earned Income Tax Credit is a refundable federal income tax credit for low-income working individuals and families. Congress originally approved the tax credit legislation in 1975 in part to offset the burden of social security taxes and to provide an incentive to work. Initial estimates for 2004 show approximately 22 million low-income families received about \$38 billion.

To qualify, taxpayers must meet certain requirements and file a tax return, even if they did not earn enough money to be obligated to file a tax return. The amount of the credit is determined by earned income and the number of children in the household.

IRS Publication 596, available in English and Spanish, outlines eligibility requirements for EITC and highlights tax law changes. Taxpayers also can find the eligibility rules in Fact Sheet 05-10 and through 1040 Central on IRS.gov.

For example, in the 2004 tax year, individuals without qualifying children must earn less than \$11,490 (\$12,490 if married filing jointly); individuals with one child must earn less than \$30,338 (\$31,338 if married filing jointly) and individuals with more than one child must earn less than \$34,458 (\$35,458 if married filing jointly).

Congress also enacted a special provision for military families with combat pay. Combat pay is not taxable. However, families have the option of using combat pay to calculate their EITC refund (and the child tax credit) if it helps maximize the refund. Be aware that either all or none of the combat pay must be used in the calculation. Taxpayers cannot use part of their combat pay to enhance their refund.

Again, the EITC Assistant will help taxpayers determine if use of their combat pay will help them qualify for a larger tax credit.

“EITC rules can be complex, but help is available if you need it,” said David R. Williams, EITC director. “The IRS works with 265 community coalitions, helps train thousands of volunteer tax preparers and works with tax preparation software companies to provide free software and electronic filing to millions of EITC recipients.”

EITC claimants should also review Free File on IRS.gov for access to free software and e-filing for federal tax returns. Taxpayers are under no obligation to purchase other services from the companies. Working families who often need a fast refund should consider using electronic filing and direct deposit of their refund. They can receive their refund in half the time of a paper return.